WESTCOAST TRANSMISSION COMPANY LIMITED

1987 NOTICE OF ANNUAL MEETING OF SHAREHOLDERS AND MANAGEMENT PROXY CIRCULAR

WESTCOAST TRANSMISSION COMPANY LIMITED

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

APRIL 29, 1987

TO THE SHAREHOLDERS OF
WESTCOAST TRANSMISSION COMPANY LIMITED

Take notice that the annual meeting of the shareholders of Westcoast Transmission Company Limited (the "Corporation") will be held in the Hyatt Regency Hotel, Vancouver, British Columbia, on Wednesday, April 29, 1987, at the hour of 10 o'clock in the forenoon for the following purposes:

1. To receive and consider the report of the directors of the Corporation, the statement of accounts and the auditor's report.

2. To elect 10 directors for the ensuing year.

3. To appoint an auditor for the ensuing year.

4. To consider the shareholder's proposal, as set forth in the Management Proxy Circular accompanying this Notice.

5. To transact such other business as may properly come before the meeting or any adjournment thereof.

Proxies to be used at the meeting must be deposited with the Corporation on or before 10:00 a.m. Tuesday, April 28, 1987.

The directors of the Corporation have previously fixed and advertised March 18, 1987 as the record date for the determination of shareholders entitled to receive this Notice.

Dated at Vancouver, British Columbia, this 18th day of March, 1987.

BY ORDER OF THE BOARD OF DIRECTORS

P.G. Griffin
Vice President and Secretary

MANAGEMENT PROXY CIRCULAR

This Management Proxy Circular is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of Westcoast Transmission Company Limited (the "Corporation") for use at the annual meeting of shareholders of the Corporation to be held at the date, place and time and for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders.

Except as otherwise stated, the information contained herein is given as of March 18, 1987. This Management Proxy Circular and the accompanying Form of Proxy are expected to be mailed to shareholders on or before March 26, 1987.

The mailing address of the Corporation's registered office is 1333 West Georgia Street, Vancouver, B.C. V6E 3K9.

VOTING AND VOTING RIGHTS

Voting Rights

As of the close of business on the record date, March 18, 1987, 41,272,312 issued and outstanding common shares of the Corporation were its only voting security. Each common share entitles the holder thereof to 1 vote. Cumulative voting is not provided for in the by-laws of the Corporation.

Appointment of Proxyholder

A shareholder entitled to vote at a meeting of shareholders may by means of a proxy appoint a proxyholder or one or more alternate proxyholders, who are not required to be shareholders, to attend and act at the meeting in the manner and to the extent authorized by the proxy and with the authority conferred by the proxy.

Right of Revocation

Any shareholder appointing a proxyholder to attend and vote at the annual meeting of shareholders of the Corporation may revoke such proxy in the following manner:

(a) by depositing an instrument in writing executed by such shareholder or by his attorney authorized in writing

  (i) at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or an adjournment thereof, at which the proxy is to be used, or

  (ii) with the chairman of the meeting on the day of the meeting or an adjournment thereof; or

(b) in any other manner permitted by law.

Method of Solicitation of Proxies

Proxies will be solicited principally by mail. In addition to the use of the mails, proxies may be solicited by directors and officers of the Corporation by personal interview, telephone or telegraph. Banks, brokerage houses and other custodians, nominees or fiduciaries may forward the soliciting material to their principals and obtain authorizations for the execution of proxies and for so doing will be reimbursed by the Corporation for their out-of-pocket expenses incurred in connection therewith.

Cost of Solicitation of Proxies

The entire cost of the solicitation of proxies will be borne by the Corporation.

Quorum

Two shareholders or proxyholders present in person and holding in person or by proxy not less than a majority of the common shares entitled to be voted at a meeting constitute a quorum at a meeting of shareholders.

Vote Required

The resolutions to be presented at the meeting for the election of directors and the reappointment of the incumbent auditor are ordinary resolutions requiring the favourable vote of a majority of the common shares represented and voting in person or by proxy at the meeting. To be effective, the shareholder's proposal set forth in this Management Proxy Circular must be approved by the favourable vote of a majority of the common shares represented and voting in person or by proxy at the meeting.

Proxy Voting

Common shares represented by any effective proxy in the form provided given by any shareholder will be voted or withheld from voting in accordance with the instructions specified therein and, where no choice is specified, will be voted for the nominees for directors proposed by the Board of Directors, for the appointment of Clarkson Gordon as auditor, and against the shareholder's proposal set forth in this Management Proxy Circular. The Form of Proxy confers discretionary power in respect of amendments to matters identified in the notice of meeting or other matters that may properly come before the meeting. At the date of the notice of meeting, there are no variations or amendments to such matters or any other matters to come before the meeting known to the Board of Directors.

Principal Holders of Common Shares

Those persons who, as of March 18, 1987, beneficially owned common shares of the Corporation carrying more than 5% of the votes attached to common shares of the Corporation, insofar as the directors and officers of the Corporation have knowledge thereof, are as follows:

Name and Address of Shareholder	*No. of Common Shares Beneficially Owned*(1)	*Percentage of Class*(2)
Petro-Canada Inc.(3) P.O. Box 2844 Calgary, Alberta T2P 3E3	12,728,245	30.8%
B.C. Resources Holdings Ltd. 1176 West Georgia St. Vancouver, B.C. V6E 4B9	3,298,009	8.0%

(1) *As used in this Management Proxy Circular, "beneficially owned" means the sole or shared power to vote, or to direct the voting of, a security and/or the sole or shared investment power with respect to a security (i.e., the power to dispose of, or to direct the disposition of, a security). In addition, for purposes of this Management Proxy Circular, a person is deemed, as of any date, to have beneficial ownership of any security that such person has the right to acquire within sixty days of such date.*

(2) *Percentage of class is based on the number of common shares outstanding on March 18, 1987.*

(3) *Petro-Canada Inc. is a wholly-owned subsidiary of Petro-Canada.*

(4) *B.C. Resources Holdings Ltd. is a wholly-owned subsidiary of British Columbia Resources Investment Corporation.*

DIRECTORS

Election of Directors

Action is to be taken at the annual meeting to elect 10 directors of the Corporation. The directors elected at the meeting will serve for a term from the date of election until the next annual meeting and/or until their respective successors have been elected or appointed.

Nominees for Directors

The 10 persons listed below are nominees for election as directors of the Corporation. All of the nominees were previously elected by the shareholders of the Corporation. Although no nominee has advised that he or she will be unable to accept nomination or election, if one or more of the nominees referred to should be unable to accept nomination or election, the persons whose names are printed in the enclosed proxy intend to vote for the remaining nominees and such substitute nominees as may be designated by the Board of Directors. Mr. David L. Helliwell, who has served as a director continuously since 1979, has advised the Corporation of his intention not to seek reelection to the Board of Directors.

The following table includes information which has been furnished by the nominees respecting certain equity securities beneficially owned as of March 18, 1987 by such nominees, their principal occupations, employment, business experience and certain other information. Unless otherwise indicated, each nominee has been engaged in his current principal occupation for at least the last 5 years.

As of March 18, 1987, officers and directors of the Corporation as a group beneficially owned 418,700 (1%) of the common shares of the Corporation. The common shares used in computing the percentage include the common shares actually outstanding on March 18, 1987, and the 199,560 common shares that such officers and directors had the right to acquire by the exercise of share options and by the conversion of Series A Second Preferred Shares of the Corporation within 60 days following such date. Each nominee's beneficial ownership represents less than ½ of 1% of the outstanding Corporation common shares.

Name, Age, Principal Occupation and Other Information (1)(2)	*Beneficial Ownership of Common Shares*(1)(3)(4)
JOHN ANDERSON, 61, President and Chief Executive Officer of the Corporation, Vice President and a Director of Saratoga, Chairman and a Director of PNG, Chairman and a Director of WPL, Vice Chairman and a Director of Foothills Yukon, Vice Chairman and a Director of Foothills NBC, President and Chief Executive Officer and a Director of Foothills Oil; a Director of the Corporation since 1970.	87,225(5)
JAMES S. BYRN, 62, Chairman of Gulf Group Canada Limited, an investment holding company, since March 1983, prior to which was Chairman of Schenley Canada Inc., distillers, between October 1981 and March 1983, a Director of Foothills Yukon; a Director of the Corporation since 1978.	300
WILBERT H. HOPPER, 54, Chairman of the Corporation, Chairman and Chief Executive Officer of Petro-Canada, a Crown energy corporation; a Director of the Corporation since 1979.	— (6)
EDWARD M. LAKUSTA, 56, President and Chief Operating Officer of Petro-Canada, a Crown energy corporation, since June 1982, prior to which was Senior Vice President, Manufacturing of Gulf Oil Company, an integrated oil company, between January 1982 and June 1982; a Director of the Corporation since 1982.	— (6)
WENDY B. McDONALD, 64, President and Chairman of the Board, B.C. Bearing Engineers Ltd., industrial distributors of bearings and power transmissions; a Director of the Corporation since 1985.	—

Name, Age, Principal Occupation and Other Information (1)(2)	*Beneficial Ownership of Common Shares*(1)(3)(4)
DAVID P. O'BRIEN, 45, Executive Vice President of Petro-Canada, a Crown energy corporation, since November 1985, and for more than five years prior to November 1985 was employed in various senior executive positions with Petro-Canada; a Director of the Corporation since 1983.	— (6)
DEREK H. PARKINSON, 61, Senior Vice President and Chief Financial Officer of the Corporation, a Director of WPL, a Director of Foothills Yukon, a Director of Foothills NBC; a Director of the Corporation since 1983.	32,000(7)
EDWIN C. PHILLIPS, 69, Chairman of the Board of British Columbia Resources Investment Corporation, a natural resource investment company, since October 1986, prior to which was Vice Chairman of Belkin Inc., a packaging manufacturer, between April 1985 and October 1986, a Consultant between October 1982 and April 1985, Chairman of the Corporation between April 1982 and April 1983, and Chairman and Chief Executive Officer of the Corporation for two years prior to April 1982, a Director of Foothills Yukon, a Director of Dynalectron Corporation; a Director of the Corporation since 1969.	60,602
ARTHUR H. WILLMS, 47, Senior Vice President of the Corporation, a Director of WPL, a Director of PNG, a Director of Foothills Yukon, a Director of Foothills NBC; a Director of the Corporation since 1983.	47,289(8)
CHARLES N. W. WOODWARD, 62, Chairman of the Board and Chief Executive Officer of Woodward's Limited, retail merchants; a Director of the Corporation since 1970.	200

(1) *As defined in the rules under the Securities Exchange Act of 1934 of the United States of America and for purposes of this Management Proxy Circular, the following corporations may be deemed to be "subsidiaries" of the Corporation: Foothills Pipe Lines (Yukon) Ltd. ("Foothills Yukon"), Foothills Pipe Lines (North B.C.) Ltd. ("Foothills NBC"), Foothills Oil Pipe Line Ltd. ("Foothills Oil"), Pacific Northern Gas Ltd. ("PNG"), Saratoga Processing Company Limited ("Saratoga") and Westcoast Petroleum Ltd. ("WPL"); and the following corporations, by virtue of their share ownership, may be deemed to be "parents" of the Corporation: Petro-Canada Inc. and Petro-Canada (see "Principal Holders of Common Shares"). In no case does the number of shares of an equity security of a subsidiary of the Corporation shown as "beneficially owned" by any person include the shares of such equity security beneficially owned by the Corporation, as to which shares such persons disclaim beneficial ownership. The Corporation owns 50% of the voting securities of Foothills Yukon and Foothills Oil, the other 50% of each of Foothills Yukon and Foothills Oil are owned by another company in which neither the Corporation nor any subsidiary or affiliate of the Corporation has an interest. Under agreement between the Corporation and such other company, the Corporation and such other company are entitled to equal representation on the board of directors of Foothills Yukon. The Corporation disclaims direct or indirect control of Foothills Yukon or Foothills Oil.*

(2) *Each of the directors individually and all of the directors and officers of the Corporation as a group beneficially own less than 1% of the outstanding Series A Second Preferred Shares of the Corporation.*

(3) *Mr. Anderson owns 1,000 common shares of PNG and 1,000 shares of Saratoga, and has the right to acquire 20,000 common shares of PNG within 60 days following March 18, 1987 by the exercise of share options. Mr. Phillips owns 1,000 common shares of PNG. These shares represent 1.3% of the outstanding common shares of PNG and less than 1% of the outstanding shares of Saratoga.*

(4) *Except as otherwise noted in the footnotes to the above table, the directors and officers have sole voting and investment power with respect to the shares shown as beneficially owned by them.*

(5) *Includes 24,000 common shares that Mr. Anderson has the right to acquire within 60 days following March 18, 1987 by the exercise of share options.*

(6) *Petro-Canada Inc., of which Messrs. Hopper, Lakusta and O'Brien are directors, beneficially owns 12,728,245 common shares, as to which Messrs. Hopper, Lakusta and O'Brien disclaim beneficial ownership.*

(7) *Includes 31,000 common shares that Mr. Parkinson has the right to acquire within 60 days following March 18, 1987 by the exercise of share options.*

(8) *Includes 16,000 common shares that Mr. Willms has the right to acquire within 60 days following March 18, 1987 by the exercise of share options and 128 common shares Mr. Willms has the right to acquire within 60 days following March 18, 1987 by the conversion of Series A Second Preferred Shares of the Corporation.*

Executive Compensation

The following table shows information with respect to all cash compensation received for services in all capacities to the Corporation and its subsidiaries, during the fiscal year ended December 31, 1986, by (i) each of the five most highly compensated executive officers of the Corporation and (ii) all executive officers of the Corporation as a group:

Individual or Group	*Position*	*Cash Compensation*(1)(2)
John Anderson	President and Chief Executive Officer	$ 374,341
J. Howard Geddes	Vice President(3)	223,020
Derek H. Parkinson	Senior Vice President and and Chief Financial Officer	193,541
Michael E.J. Phelps	Vice President, Strategic Planning	129,641
Arthur H. Willms	Senior Vice President	188,141
All Executive Officers (11) as a group		$1,758,360

(1) *During the fiscal year ended December 31, 1986, the executive officers of the Corporation did not receive any compensation, other than the cash compensation and compensation pursuant to Corporation plans shown in this Management Proxy Circular, which exceeded (i) with respect to any named individual, the lesser of $25,000 or 10% of his reported cash compensation or (ii) with respect to the group of 11 executive officers, the lesser of $110,000 or 10% of the total cash compensation reported for the group.*

(2) *The dollar amounts shown in this table and elsewhere in this Proxy Circular are stated in Canadian dollars.*

(3) *Mr. Geddes is President and Chief Executive Officer of Westcoast Petroleum Ltd. (WPL)*

Employee Savings Plans

The Corporation and WPL have Employee Savings Plans available to all full-time employees of the Corporation and WPL respectively. Participation in the Plans is conditional upon one year's service with the Corporation or WPL. Under the Plans, all eligible employees of the Corporation and WPL are entitled to a contribution by the Corporation or WPL up to a maximum of 5% of the participant's basic earnings. During the fiscal year ended December 31, 1986, the Corporation and WPL made contributions under their respective Employee Savings Plans as follows:

Individual or Group	*Contribution*
John Anderson	$13,750
J. Howard Geddes	10,401
Derek H. Parkinson	6,825
Michael E.J. Phelps	—
Arthur H. Willms	8,750
All Executive Officers (11) as a Group	$65,805

Key Employee Stock Option Incentive Plans

On April 20, 1976, the shareholders approved the 1976 Key Employee Stock Option Incentive Plan (the "1976 Plan"), under which options were granted to selected key employees for the purpose of encouraging them to acquire a proprietary interest in the Corporation, to continue as employees of the Corporation and to increase their efforts on behalf of the Corporation. The 750,000 common shares (as adjusted for the 3-for-1 split on May 12, 1978) which were reserved under the 1976 Plan, have all been issued upon the exercise of options or are subject to options outstanding thereunder. On April 27, 1983, the shareholders approved the reservation of a further 500,000 common shares for issuance upon the exercise of options to be granted to key employees of the Corporation and its subsidiaries, including officers and such directors as are employees, under the 1983 Key Employee Stock Option Incentive Plan (the "1983 Plan"). The 1983 Plan is administered by the Compensation Committee of the Board of Directors, none of whose members are eligible to receive options under option plans of the Corporation. The terms of individual options are to be determined by the Compensation Committee, subject to the limitations set out in the 1983 Plan. The exercise price of an option granted under the 1983 Plan is to be the closing bid price of the common shares as determined by trading on the Toronto Stock Exchange on the date the option is granted. Options may be granted for a term not exceeding 10 years, and are non-transferable, other than by will or by applicable law of descent.

Both the 1976 Plan and the 1983 Plan authorized the Corporation to make interest-free loans to certain key employees to exercise stock options under those plans. As of March 18, 1987 no such loans have been granted under the 1983 Plan. Certain interest-free loans were granted under the 1976 Plan to executive officers, as well as to other officers and such directors as are full-time employees of the Corporation (see "Indebtedness of Directors and Senior Officers"). The non-cash compensation received by executive officers of the Corporation during the fiscal year ended December 31, 1986 in respect of those loans, which was calculated on the prevailing bank prime rate of interest during the currency of the loans in 1986, is set forth in the following table:

Individual or Group	*Non-Cash Compensation in Respect of Interest-Free Loans*
John Anderson	$ 33,090
J. Howard Geddes	—
Derek H. Parkinson	13,379
Michael E.J. Phelps	—
Arthur H. Willms	31,652
All executive officers (11) as a group	$121,459

The following table, for the fiscal year ended December 31, 1986 shows as to the five most highly compensated executive officers, and as to all executive officers as a group information as to (i) options to purchase Corporation common shares granted in that fiscal year, and (ii) the Corporation common shares acquired through the exercise of options in that fiscal year:

	Granted January 1, 1986 to December 31, 1986		*Exercised January 1, 1986 to December 31, 1986*	
Individual or Group	*No. of Shares*	*Average Option Price*	*No. of Shares*	*Net value realized (market price less exercise price)*
John Anderson	—	—	30,000(1)	$213,750
All executive officers (11) as a group	10,000	14.75(2)	45,000(1)	$363,750

(1) *During the fiscal year ended December 31, 1986, Corporation common shares were acquired by John Anderson and one other executive officer at a price of $7.875 per common share.*

(2) *An option on Corporation common shares was granted to one executive officer on February 5, 1986 at a price of $14.75 per common share. The option expires 10 years from the date on which the option was granted.*

Pension Plans

The Corporation and WPL have defined benefit Pension Plans covering all eligible full-time employees. The costs of such Pension Plans are borne wholly by the Corporation and WPL respectively. Each year the Corporation and WPL fund the current service costs of the Pension Plans and contributions vest in an employee after five years of membership. Membership in the Corporation's Pension Plan is conditional upon one year's service with the Corporation, and in WPL's Pension Plan upon six months' service with WPL. Employees of both the Corporation and WPL are ineligible for membership in the Pension Plans if they have attained the age of 60 years before becoming members of the Plans.

Benefits under the Corporation's Pension Plan are based on 2.4% of an employee's salary for each year or part thereof of membership in the Plan, and are not subject to government social security plan deductions. Benefits under WPL's Pension Plan are based on 2% of an employee's average salary during the 60 consecutive month period of highest earnings, multiplied by the number of years membership in the Plan, and are reduced to reflect the pension payable to an employee under the Canada Pension Plan. Under the Income Tax Act of Canada, however, the maximum annual benefits under the Plans are limited to the lesser of $60,025 or $1,715 times the number of years of membership in the Plans.

The 1986 earnings for purposes of the Pension Plans of executive officers of the Corporation are substantially equivalent to the amounts set forth in the column "Cash Compensation" of the Executive Compensation table. The individuals named have the following years of accredited service as of December 31, 1986: John Anderson — 25; J. Howard Geddes — 6; Derek H. Parkinson — 5; Michael E.J. Phelps — 5; Arthur H. Willms — 15.

The estimated annual benefits upon retirement at normal retirement age under the Pension Plans are as follows:

Individual or Group	*Estimated Annual Retirement Benefits*
John Anderson(1)	$ 48,740
J. Howard Geddes(2)	20,437
Derek H. Parkinson(3)	14,727
Michael E.J. Phelps(3)	49,735
Arthur H. Willms(3)	56,595
All executive officers (11) as a group(3)	$434,469

(1) *The Corporation has an agreement dated September 30, 1983 with John Anderson, the President and Chief Executive Officer, whereby following his retirement, if after age 62, the Corporation will pay him an annual retirement allowance which, when added to the normal retirement income he will receive from the Corporation's Pension Plan, will result in an aggregate amount equal to 70% of his annual salary in effect on the date of his retirement.*

(2) *WPL has an agreement dated February 8, 1985, with J. Howard Geddes whereby following his retirement, WPL will pay to him a supplementary retirement allowance which, when added to the normal retirement income he will receive under WPL's Pension Plan, will result in an annual retirement income equal to that which would be determined in accordance with WPL's Pension Plan if the limitations imposed by the Income Tax Act of Canada did not apply.*

(3) *The Corporation has agreements dated September 14, 1984 and March 14, 1986 with all of the executive officers, other than the Chairman, the President and Chief Executive Officer, and Mr. Geddes, whereby following their retirement, the Corporation will pay to each of them a supplementary retirement allowance which, when added to the normal retirement income each will receive from the Corporation's Pension Plan, will result in an annual retirement income equal to that which would be determined in accordance with the Corporation's Pension Plan if the limitations imposed by the Income Tax Act of Canada did not apply.*

During the fiscal year ended December 31, 1986, the Corporation made payments to Edwin C. Phillips, a director of the Corporation, in accordance with an agreement dated April 21, 1976, under which the Corporation commenced on November 1, 1982 to pay him an annual retirement allowance which, when added to the normal retirement income he receives from the Corporation's Pension Plan, results in an aggregate annual amount of $174,000, which is equal to 60% of his annual salary in effect on the date of his retirement.

Directors Fees

The Corporation pays its directors an annual fee of $7,000 plus an allowance of $500 for attendance at each Board and Board Committee meeting. The Chairmen of the standing committees of the Board are entitled to an additional fee of $100 per meeting and directors travelling to a meeting from outside the province in which a meeting is held are entitled to an additional per diem fee of $500. None of the foregoing emoluments is paid to those directors who are full-time employees of the Corporation.

Termination of Employment

The Corporation has an agreement dated September 30, 1983 with John Anderson, the President and Chief Executive Officer of the Corporation, which provides that in the event his employment is terminated other than at his own request, Mr. Anderson will receive a lump sum severance payment equal to the lesser of (i) three times his then current annual salary or (ii) the amount which Mr. Anderson would have earned at his then current annual salary for the period from the date of such termination until the date on which he would attain the age of 62 years.

Indebtedness of Directors and Officers

The following directors and officers are indebted to the Corporation in respect of non-interest bearing loans for the purchase of common shares of the Corporation under the 1976 Key Employee Stock Option Incentive Plan.

Director or Officer and Municipality of Residence	*Largest Aggregate Amount of Indebtedness in 1986*	*Current Outstanding Amount of Indebtedness as of March 18, 1987*
John Anderson West Vancouver, B.C.	$320,460	$302,820
W.B. Caswell North Vancouver, B.C.	160,230	151,410
W.N. Collett North Vancouver, B.C.	160,230	151,410
J.A. Kavanagh North Vancouver, B.C.	238,644	224,532

Director or Officer and Municipality of Residence	*Largest Aggregate Amount of Indebtedness in 1986*	*Current Outstanding Amount of Indebtedness as of March 18, 1987*
R.B. Maas Vancouver, B.C.	21,278	19,867
D.H. Parkinson Vancouver, B.C.	142,560	8,916
J.H. Podmore Vancouver, B.C.	31,918	29,801
A.H. Willms North Vancouver, B.C.	306,594	289,542

Directors and Officers Liability Insurance

As contemplated by Section 119(4) of the Canada Business Corporations Act, the Corporation has purchased and paid the premium for insurance with a limit of $25,000,000 for the policy year ending on January 29, 1988 in respect of potential claims against its directors and officers and in respect of losses for which the Corporation may be required or permitted by law to indemnify such directors and officers. The policy excludes from the coverage $1,000 in respect of each loss in respect of claims against each director and officer (limited in the aggregate to $10,000 in respect of any one loss) and $2,000,000 in respect of claims arising under the Corporation reimbursement portion of the policy. The Corporation was not aware at the time of purchase and is at the date hereof unaware of any actual or potential suit or claim which would result in a claim on the insurers. There is a flat premium payable in the sum of $244,669 for one year. It is not segregated as to groups.

Standing Committees of the Board of Directors

The directors have duly appointed the following standing committees:

An Executive Committee, comprised of Messrs. John Anderson as Chairman, James S. Byrn, Wilbert H. Hopper, Derek H. Parkinson and Arthur H. Willms, which has and exercises all of the powers of the directors save and except those which by the provisions of the Canada Business Corporations Act cannot be delegated to a committee and those which are specifically prohibited or reserved by the directors to themselves.

An Audit Committee, comprised of Messrs. David L. Helliwell as Chairman, Wendy B. McDonald and David P. O'Brien, which has and exercises the customary functions of such committees including the review of the Corporation's financial statements and methods of record keeping and the reporting of its findings to the Board of Directors.

A Compensation Committee, comprised of Messrs. James S. Byrn as Chairman, Wilbert H. Hopper and C.N.W. Woodward, which has and exercises the customary functions of such committees including the making of recommendations to the directors concerning the salaries and other compensation of the principal officers of the Corporation and the benefit programs of the Corporation, and the investigation, when deemed appropriate, of the general field of compensation for executive personnel.

The Corporation does not have a standing nominating committee or any committee of the Board of Directors performing similar functions.

Meetings of Directors and Standing Committees

During 1986, being the last fiscal year of the Corporation, the following meetings were held:

Board of Directors	5
Executive Committee	4
Audit Committee	4
Compensation Committee	3

All directors other than Mr. C.N.W. Woodward attended at least 75% of the aggregate meetings of the Board and the Committees of which they were members during the year.

TRANSACTIONS WITH SHAREHOLDERS

During the fiscal year ended December 31, 1986, the Corporation purchased certain supplies of natural gas in Alberta from Petro-Canada Inc. under long-term contracts. The aggregate dollar value of such purchases was $291,544. The gas purchase contracts vary in term from 20 years to the life of the leases from which gas is being produced and are similar as to price and other material terms and conditions to other gas contracts entered into by the Corporation with other producers of gas in Alberta. The Corporation believes that the terms of such transactions are no less favourable to the Corporation than those which could have been arranged with unrelated third parties.

During the fiscal year ended December 31, 1986, the Corporation also made payments to Petro-Canada Inc. in respect of the operation of the Corporation's McMahon Gas Processing Plant. The aggregate dollar value of such payments was $5,451,000. Under the plant operating agreement, the term of which has been extended to April 1, 1988, the Corporation pays Petro-Canada Inc. the direct costs and allocated indirect costs of operating the gas plant, plus an operating fee equal to 12% of the direct and indirect costs of operating the plant. The Corporation believes that the terms of this transaction are no less favourable to the Corporation than those which could have been arranged with unrelated third parties.

Under the terms of agreements dated August 1, 1984, the Corporation entered into a joint venture with Petro-Canada Inc. for the construction and operation of a natural gas liquids extraction plant located at Taylor, British Columbia. The plant, which extracts gas liquids from the natural gas stream in the Corporation's pipeline system, was constructed at an overall capital cost of $62,311,000 and commenced operations in November 1985. Petro-Canada Inc. and the Corporation contribute equally to the costs of the extraction plant and each have a 50% interest in both the plant and the gas liquids produced by the plant. The Corporation believes that the terms of the joint venture are no less favourable to the Corporation than those which could have been arranged for a similar joint venture with unrelated third parties.

During the fiscal year ended December 31, 1986, Westcoast Petroleum Ltd. (''WPL'') sold substantially all of the crude oil produced by it in the Provinces of Alberta and British Columbia to Petro-Canada Inc. The aggregate dollar value of such sales was approximately $41,377,000. WPL also entered into a farm-in agreement with Petro-Canada Inc. in 1985 under which WPL agreed to pay 50 percent of the exploration costs over a three-year period to earn a 25 percent interest in up to twelve million acres of undeveloped lands in the Mackenzie River Valley in the Northwest Territories of Canada. The cost of the exploration program to WPL in the 1985 and 1986 fiscal years was $20,760,000 before deducting Petroleum Incentive Payments of $16,394,000. On the basis of the seismic data and drilling results obtained, WPL discontinued its participation in the exploration program and abandoned its interest in those lands. WPL was also involved during the fiscal year ended December 31, 1986 with Petro-Canada Inc. and certain of its subsidiaries in joint venture oil and gas exploration and production activities. The Corporation believes that the terms of these transactions and joint ventures are no less favourable to WPL than those which could have been arranged for similar transactions and joint venture with unrelated third parties.

AUDIT MATTERS

Auditor

Action is to be taken at the meeting with respect to the appointment of Clarkson Gordon, Chartered Accountants, Vancouver, British Columbia, as auditor for the Corporation for the ensuing year. Clarkson Gordon, first appointed in October, 1956, and acting since that time, does not, directly or indirectly, own any shares of, nor has it any financial interest, direct or indirect, in the Corporation or any of its subsidiaries, nor has it had any connection with the Corporation or any of its subsidiaries during the past 2 years other than as independent auditor and accountant for the Corporation. No officer, director or associate of the Corporation has any interest in Clarkson Gordon.

Representatives of Clarkson Gordon have in the past been present at annual general meetings of the shareholders and are expected to be present at the annual general meeting on April 29, 1987. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions raised at the meeting.

SHAREHOLDER'S PROPOSAL

A shareholder's proposal has been submitted to the Corporation by Mr. Telesphore Demers, 309 — 845 Burdett Avenue, Victoria, British Columbia, V8W 1B3, the holder of 500 common shares of the Corporation, in the following form:

> "That the provision included in the 1976 and 1983 Key Employee Stock Option Incentive Plans authorizing the corporation to make interest-free loans to certain key employees to exercise stock options under those plans be rescinded forthwith; and
>
> that henceforth the interest on all such loans be calculated at the prevailing bank prime rate of interest and paid by such key employees to the corporation before the end of each year."

The following statement has been submitted by the shareholder in support of the proposal:

"STATEMENT

Made under section 131 (3) of the Canada Business Corporations Act in support of the above proposal:

1. The granting of interest-free loans to key employees only constitutes a flagrant discrimination against the other employees.
2. If all expenses connected with such plans (such as professional fees, salaries, stationery, etc.) are paid by the corporation — as it is reasonable to presume — the net loss to the corporation in respect of such loans is much larger than the amount mentioned in the Management Proxy Circular as 'Non-Cash Compensation in Respect of Interest-Free Loans'.
3. The total loss referred to in paragraph two above represents unearned additional remuneration for executive officers and directors and an unwarranted burden on shareholders who are not within the management group.
4. Since Petro-Canada holds 31.1% of the corporation's common shares and since Petro-Canada is wholly-owned by the Government of Canada, the imputation to the Canadian taxpayers, through a corporate veil, of 31.1% of the total loss referred to in paragraph two herein is unethical and unjustifiable."

To be effective, the shareholder's proposal must be approved by not less than a majority of the common shares represented and voting in person or by proxy at the meeting.

Statement of the Corporation Opposing the Proposal

The Board of Directors of the Corporation recommends that the holders of common shares vote AGAINST the proposal.

The Corporation has included the proposal and the supporting statement in the Management Proxy Circular in accordance with the terms of Section 131 of the Canada Business Corporations Act. The Corporation is not responsible for the accuracy of any statements included therein or the views contained therein, which are the total responsibility of the shareholder proposing the same.

It is the view of the Board of Directors of the Corporation that approval of the proposal is not in the best interests of the Corporation and accordingly holders of common shares should vote against the proposal. The 1976 and 1983 Key Employee Stock Option Incentive Plans (the "Plans"), which were approved by the shareholders of the Corporation, were designed to encourage selected key employees to acquire a proprietary interest in the Corporation and to continue their employment with the Corporation on a long-term basis. The granting of interest-free loans to key employees to finance the purchase of option common shares is an integral part of the incentive value of the Plans, and assists the Corporation to provide those employees with compensation arrangements competitive with those offered by other Canadian companies, at a minimum cost to the Corporation. The proposal would also require a unilateral change to existing loan agreements with certain key employees, which, if implemented, could give rise to claims by those employees against the Corporation.

For the foregoing reasons, the Board of Directors recommends a vote against the proposal.

SHAREHOLDER PROPOSALS FOR 1988 ANNUAL MEETING

Shareholder proposals to be considered at the 1988 annual meeting must be received by the Corporation by January 29, 1988 to be included in the proxy materials for such annual meeting.

AVAILABILITY OF OTHER DOCUMENTS

The Corporation is prepared to provide without charge to owners of record of shares of the Corporation, upon written request, copies of the following documents:

1. **Form 10-K, including the financial statements and schedules thereto, filed with the Securities and Exchange Commission, Washington, D.C., and**
2. **the Annual Information Form filed by the Corporation with various Canadian securities commissions.**

Written requests should be directed to the Secretary of the Corporation, 1333 West Georgia Street, Vancouver, B.C. V6E 3K9.

APPROVAL

The contents and the sending of this Management Proxy Circular were approved by the directors of the Corporation on February 4, 1987.

P.G. Griffin
Vice President and Secretary

March 18, 1987